

Message Text

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ACTION AF-10

INFO OCT-01 ISO-00 SP-02 ICA-11 AID-05 EB-08 NSC-05

TRSE-00 SS-15 STR-07 OMB-01 CEA-01 L-03 H-01

AGRE-00 CIAE-00 COME-00 FRB-03 INR-10 NSAE-00

XMB-02 OPIC-03 LAB-04 SIL-01 CTME-00 ITC-01 SCS-06

CA-01 SOE-02 DODE-00 DOE-15 INT-05 PM-05 OES-07

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TAGS: EFIN, EINV, EIND, DM

SUBJ: FOREIGN INVESTMENT CLIMATE IN BENIN

1. THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF BENIN (GPRB) HAS REACHED COMPENSATION AGREEMENTS WITH THE AMERICAN FIRMS OF TEXACO AND MOBIL, ALTHOUGH THE COMPENSATION WAS FIXED AT SUBSTANTIALLY BELOW THE COMPANIES' INITIAL CLAIMS. FOR AMERICAN CLAIMANTS, ONLY THE JEHOVAH'S WITNESSES HAVE NOT YET REACHED A SETTLEMENT WITH THE GOVERNMENT.

2. AS A SIGNATORY TO THE LOME CONVENTION, BENIN HAS PLEDGED EVENTUALLY TO ELIMINATE REVERSE PREFERENCES. A NEW TARIFF CODE, WHICH SHOULD BE MADE PUBLIC IN THE NEAR FUTURE, SHOULD CONTRIBUTE TO MORE EQUITABLE CUSTOMS TREATMENT.

3. THERE ARE CURRENTLY TWO MAJOR INDUSTRIAL PROJECTS UNDER WAY -- A SUGAR PLANTATION AND REFINERY, AND A CEMENT FACTORY. BOTH PROJECTS ARE BEING SUBSTANTIALLY SUPPORTED BY NIGERIAN FUNDS, WHILE TECHNICAL EXPERTISE IS BEING PROVIDED BY TWO ENGLISH FIRMS. THE PROJECTS HAVE BEEN BOGGED DOWN IN A MAZE

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OF DIFFICULTIES AND PROGRESS IS AT A VERY SLOW PACE. OIL EXPLORATION WAS CONDUCTED OFF THE COAST BY UNION OIL SEVERAL YEARS AGO. HOWEVER, ALTHOUGH A LIMITED QUANTITY OF OIL APPARENTLY EXISTS, NO AGREEMENT WAS EVER REACHED ON ITS EXPLOITATION, AND NO TESTING IS CURRENTLY UNDERWAY. ROUMANIA AND NORWAY HAVE, HOWEVER, EXPRESSED AN INTEREST IN SEISMIC EXPLORATION OF THE AREA.

4. OUTLOOK: ALTHOUGH BENINESE COMMERCE IS HEALTHY AND GROWING, DUE TO STRONG TRADING TIES WITH THE VAST NIGERIAN MARKET, THE INVESTMENT CLIMATE IS NOT AS PROMISING. WHILE THE GOVERNMENT EXPRESSES AN INTEREST IN TOURISM AND FOREIGN INVESTMENT, IT HAS NEVERTHELESS REMAINED HIGHLY SUSPICIOUS OF FOREIGNERS SINCE THE ABORTIVE MERCENARY INVASION IN JANUARY 1977. FURTHERMORE, THE HIGH PROFILE MAINTAINED BY THE ARMED FORCES IS VISIBLE EVIDENCE OF THE GOVERNMENT'S SECURITY CONCERN. THE EFFORTS OF BENIN'S MILITARY GOVERNMENT TO LEAD THE COUNTRY ALONG THE ROAD OF "SCIENTIFIC SOCIALISM" HAVE RESULTED IN OFTEN SEVERE DISRUPTION OF THE ECONOMY. MOREOVER, ALTHOUGH THE PRESENT MILITARY GOVERNMENT HAS REMAINED IN POWER LONGER THAN ANY OTHER GOVERNMENT SINCE INDEPENDENCE, IT HAS BEEN OFTEN SUBJECT TO INTERNAL TENSION. AS A RESULT THE GOVERNMENT HAS HAD LITTLE SUCCESS IN DEALING WITH THE PROBLEMS CAUSED BY THE DROUGHT CONDITIONS OF THE LAST FEW YEARS, AND THE VARIOUS DIFFICULTIES CAUSED BY THE GOVERNMENT'S OWN EFFORTS TO REARRANGE THE POLITICAL AND ECONOMIC SYSTEM. GOVERNMENT ACTIONS HAVE TENDED TO BE SUBJECT TO REPID CHANGES IN DIRECTION. AS A RESULT, THE PRINCIPAL DIFFICULTY FOR INVESTORS IN BENIN IS THAT NOTHING IS CERTAIN AND PROGRESS CAN BE AGONIZINGLY SLOW.

4. FURTHERMORE, BENIN IS IN THE PROCESS OF TRYING TO IMPLEMENT A NEW CONSTITUTION. AS A RESULT OF UNCERTAINTY ARISING FROM INTERPRETATION OF COMMERCIAL LAW UNDER THE NEW CONSTITUTION, LIMITED OFFICIAL USE

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COMBINED WITH A JUDICIARY STRUCTURE WHICH IS UNDERGOING CHANGE, INVESTORS MAY ENCOUNTER LEGAL DIFFICULTIES IN BENIN. FOR EXAMPLE, AN AMERICAN BUSINESSMAN ENGAGED IN LITIGATION IN BENIN HAS BEEN PHYSICALLY DETAINED FOR FOUR MONTHS WITHOUT ANY CLEAR INDICATION OF WHY HE IS BEING HELD, ALTHOUGH THIS MAY BE AN ISOLATED CASE, INVESTORS SHOULD NONETHELESS BE AWARE OF SUCH HAZARDS WHEN DOING BUSINESS IN BENIN. THOMPSON

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